

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA 85251
AUGUST 21, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffmann, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
Tom Enders, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner (departed at 9:19 a.m.)
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Holli Shannon
Paul Katsenes
Madeline Clemann

GUESTS: Rachel Sacco, SCVB
Caroline Stockel, SCVB
Jordan Upleger, PGA Tours
Ray Artigue, Artigue Agency
Valerie LeBlanc, Places Consulting

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffmann called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

2. Approval of Minutes

- June 19, 2012 Meeting

COMMISSIONER SURGUINE MOVED TO APPROVE THE MINUTES OF THE JUNE 19, 2012 MEETING. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

3. Staff Liaison's Report

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that bed tax collections for the end of the fiscal year were up 5%. Hotel/motel sales tax revenue was up 3%, miscellaneous retail was up 8%, and restaurant was up 6% for the fiscal year. By classification, resorts were up 5.6%,

full-service was up 5.9%, and limited was up 6%. June receipts collected in July were up 3%.

b. Bed Tax Proforma

The Commission reviewed the Bed Tax Proforma. Chairman Hoffmann inquired about the \$300,000 that was to be held for the Desert Discovery Center project through December 31. Ms. Guillory explained that the amount is included under the Tourism Related Capital Projects line item. She reported that the carryover balance is \$2.968 million, of which the Council has already used \$2.048 million towards the Tony Nelssen Equestrian Center (TNEC). That leaves \$920,000 of unspent carryover available.

c. Smith Travel Report

Mr. Geiogamah said the STR report shows occupancy through June up year to date by 1.4%. Average daily rate (ADR) was up 3.3%, while RevPar was up 4.8%. RevPar has now been positive over the prior year for 18 straight months.

Commissioner Richard noted that recent STR research anticipates little growth for Arizona lodging during next year. The only growth area is in ADR, at 2.1%. Scottsdale tracks 0.4% growth in occupancy, and 3.5% growth in ADR year-to-date for 2012. The outlook for Phoenix projects that occupancy will be down 0.4% in 2013, while ADR should be up 1.2%. Overall RevPar should increase by 1.8%. Upscale hotels are trailing behind limited service hotels in the Scottsdale market. Rachel Sacco noted that in terms of recovery, Phoenix rated last in the 25 markets researched.

Commissioner Richard surmised that the pessimism is due to decreasing consumer confidence, decreasing corporate profits coupled with a decrease in investment, rising fuel prices, continued government travel cuts, continued unemployment, stalled growth, market impacts to household wealth, and Eurozone recession. Regarding Phoenix specifically, he felt politics has a great deal to do with it. Downtown Phoenix has added 1,500 rooms in four years, and citywide room nights are down 38%. New inventory is pursuing the same customer, which is hurting compression for the outlying areas. Ms. Sacco noted that the STR information does not trend with everything else the SCVB has seen. As Scottsdale information is analyzed separately from Phoenix, the outlook is a little better.

d. Program Updates

Mr. Geiogamah reported that the SCVB has met all 16 of its performance measurements for FY2011/12. The preliminary Leisure Visitor Inquiry Study indicates that the conversion rate for the SCVB was 94%, which is 3% higher than last fiscal year. The conversion rate captures the percentage of survey respondents who traveled or will travel in the next six months to Scottsdale after contacting the SCVB. The TDC will receive a detailed report at next month's meeting. Chairman Hoffmann commended the SCVB on their results. The Commission opted to accept the report without further review.

4. FY12/13 Event Support Funding Program Applicant Presentations

Mr. Geiogamah reviewed the FY2012/13 Event Support Funding Program. The budget for this year's program is \$200,000, and the total requested funding is \$172,000. There are four new events this year.

Chairman Hoffmann suggested that Commissioners review the material at their leisure and submit their comments within a week. At Mr. Geiogamah's request, Commissioner Enders volunteered to assist staff in preparing a formal recommendation on funding and tier levels for each event. The TDC will take formal action at next month's meeting.

Commissioner Surguine felt that the four new events should be invited to make presentations to the entire Commission at some point in the process. Chairman Hoffmann noted that some of the returning events substantially increased their funding requests, and he felt an explanation was due. In response to an inquiry from Commissioner Scholefield, Mr. Geiogamah explained that staff reviews event funding contract term obligations, including the number of event room nights generated.

5. Hospitality Trolley Service

Madeline Clemann said the hospitality trolley enjoyed an outstanding year. Fifty percent of the trolley program is funded by advertising sponsorships, while the rest comes from the bed tax. This year, the route travelled between Osborn and the Fairmont Princess on a 30-minute circuit. Instead of the route running every day north from the Princess to TPC and WestWorld, this segment was serviced by a special event shuttle that only operated on days of the Waste Management Open and the Barrett-Jackson auto auction. This change resulted in savings that were used to add a third vehicle to the main route, thus increasing trip frequency.

Ms. Clemann reported that staff received only two calls on routing information this year, and no complaints. A survey was conducted at the end of the season. More people from outside the Valley rode the trolley this year. Visitors received trolley information through printed brochures and from resort concierges. Ridership increased 20% over the first year. Many of the problems encountered last year were worked out this time. Only trolley vehicles were used, which cut back on the amount of possible advertising. The only change proposed is to operate the northern shuttle on Arabian Horse Show days. The partnership with the SCVB and the Transportation and Economic Vitality Departments has worked well. The trolley service connected well with separate shuttle routes linking Paradise Valley resorts and Talking Stick.

Rob Millar stated that the trolley was created in response to ongoing visitor complaints about Scottsdale's transportation issues. Fulfilling the advertising component has been a challenge, given the marketplace. Staff will work with resorts to develop a sustainable plan to fund the trolley in future years. In general, resorts like the shuttle and are willing to support it financially. As of today, \$32,000 has been committed for next year's program. Caroline Stockel added that the light pole banners would be part of an enhanced pre-promotion effort this year to raise awareness of the program and increase the return on investment for sponsors. The banners will run in November, December,

and in March. Additionally, advertising will appear in *Where* magazine, which is available in hotel rooms.

Commissioner Surguine inquired about providing information via QR codes or smartphone apps. Ms. Stockel explained that all of the various Scottsdale trolley routes will be included on one map, which will be available in printed and electronic form. Commissioner Scholefield suggested negotiating with event partners to promote the shuttle on their websites and possibly their event brochures. In the future, this type of promotion should be made a mandatory consideration, considering the City is making financial contributions towards these events. Chairman Hoffmann felt that event producers should be happy to know that their guests have a viable transportation alternative, thus alleviating the hassle of dealing with event parking and traffic.

Mr. Millar said staff believes this next year will be a make it or break it year for the shuttle, though long-term sustainability issues need to be addressed. One of the keys to success will be an earlier start to the marketing effort. In order to meet an October 1 start, advertising has to be finalized by mid-September. He requested that the bed tax funding for the trolley be increased to \$110,000 to make up for the shortfall. This would provide the program with some flexibility should the sponsorship effort fall short. Ms. Stockel noted that the SCVB also intends to spend about \$25,000 on promotions.

Chairman Hoffmann noted that the bed tax is funding most of the program, even though businesses along the route benefit from the increased ridership. Mr. Millar said that the trolley will only stop near sponsoring businesses. The trolley is not meant to be a free service supported by tax dollars, it is meant to promote business. If the program really is critical to the hospitality industry, they must be willing support a long-term sustainable plan.

Commissioner Surguine suggested that at some point, the TDC should consider exploring whether the program is valuable to tourism in and of itself, even if that means abandoning the original concept of selling sponsorships. Most people would view it as the obligation of a municipality to provide some reasonable form of transportation for tourists. The program should not be allowed to die, just because the original funding concept turns out to be flawed. He proposed increasing the allocation to ensure the program's success.

COMMISSIONER SURGUINE MOVED TO RECOMMEND ALLOCATING OUT OF THE BED TAX CARRYOVER BALANCE, UP TO \$150,000 FOR THE 2012/2013 HOSPITALITY TROLLEY PROGRAM. COMMISSIONER SCHOLEFIELD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

Chairman Hoffmann requested an opportunity to revisit the program next May to analyze the costs and the sponsorships.

6. Charles Schwab Cup Tournament Sponsorship

Chairman Hoffmann recused himself from this discussion.

Mr. Geiogamah noted that the City of Scottsdale provided bed tax funding to the Champions Tour in 1997 and 1998. Jordan Upleger, representing the PGA Tour, said the Charles Schwab Cup Championship will be played in Scottsdale during the first week of November 2012. The Champions Tour is a tour of professionals 50 years and older. Desert Mountain hosted a major championship on the tour for 15 years, up until 2000. The estimated economic impact to the city is between \$10 million and \$12 million. The Valley will also benefit from approximately \$300,000 of charitable funding associated with the event. Local 501(c)(3)s will have the ability to sell tickets to the event, with 100% of proceeds returning to the charity.

Mr. Upleger said the PGA has a contract with Desert Mountain for 2012, 2014 and 2016. After this year's tournament, finances will be re-evaluated to determine if the 2014 and 2016 tournaments will occur. The local community has been supportive, and the PGA feels that the tournament will be a success. All four days of the event will be broadcast live on the Golf Channel, exposing Scottsdale to 85 million households internationally. He requested a financial commitment from the City of up to \$100,000, which would include a direct sponsorship from the bed tax of \$30,000, as well as in-kind services totaling \$42,000. The event would showcase the City of Scottsdale in its program, and a hospitality suite will be available. The hospitality suite will be staffed by SCVB and Economic Vitality staff.

Mr. Geiogamah reviewed that this event ranks fairly well in terms of event development criteria. Commissioner Richard asked whether Scottsdale would get promotional spots during the Golf Channel broadcast. Mr. Upleger said the tournament could do a number of things to draw attention to Scottsdale without a marketing investment. The announcers do a good job talking about the event location. Commissioner Enders proposed leveraging ilovescottsdalegolf.com at the tournament. He noted that this is the fourth largest purse on the Champions Tour, and is the tour's equivalent to the Super Bowl. Commissioner Richard suggested increasing Scottsdale's sponsorship level in return for promotional spots during the broadcast.

Ms. Sacco inquired what it would take to ensure that the event returns in 2014 and 2016. Mr. Upleger responded that the contract contains certain thresholds that must be met in order for the tournament to return, and that corporate sponsorships are currently lagging. The next 30 to 40 days will be critical. Mr. Geiogamah noted that as much as \$50,000 to \$60,000 will be budgeted from the bed tax fund to support the total package, including in-kind services.

COMMISSIONER SURGUINE MOVED TO RECOMMEND UP TO \$50,000 OF BED TAX DOLLARS TO THE CHARLES SCHWAB CUP CHAMPIONSHIP TOURNAMENT, EXCLUSIVE OF IN-KIND SERVICES. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0). CHAIRMAN HOFFMANN RECUSED HIMSELF FROM THIS ITEM.

7. City Bed Tax Event Program – Economic Impact Intercept Survey

Mr. Geiogamah said the City has secured the services of the Artigue Agency to assist with economic evaluations of City-sponsored events. The TDC has recommended implementation of an intercept survey at each event to further this end. Ray Artigue said

the Artigue Agency is a full-service marketing and communications firm that is also involved in research, particularly related to the economic impact of sporting events. Intercept surveys give staff a better understanding of who is coming to Scottsdale to attend events, and why they are coming. The information will help in allocating dollars for future events. Students from Arizona State University and other schools will help conduct intercept surveys, supervised by their professors.

Chairman Hoffmann inquired whether the surveys would be done in person or via a computer. Mr. Artigue said experience has shown that in-person surveys are quicker and the information is more accurate. Commissioner Bailey felt that it would be offputting to be approached by someone with a clipboard. Mr. Artigue responded that people tend to be more cooperative if given a small souvenir. Accurate results can be achieved with only a small sampling, as long as the participants are being selected at random.

Commissioner Surguine said the genesis of the effort was to find a way to measure whether these events are truly generators of visitation. That is its primary purpose. He cautioned against trying to gather too much information and turning people off with an overlong survey. Chairman Hoffmann said it is also important to know where visitors are staying. He felt that if the City is helping fund the event, the event should pay for the survey costs. Mr. Geiogamah said staff would explore that option. The current contract is funded from the research budget to a maximum of \$10,000.

Commissioner Surguine said surveys should be taken at every event and should even be built into the requirements. He also felt it would be a mistake to limit funding only to those events that specifically draw people to Scottsdale. People rarely visit a destination for only one reason. They are interested in the totality of the place, and events that contribute to that experience are worthy of support. Commissioner Richard advised adding a mobile survey.

8. Five-Year Tourism Development and Marketing Strategic Plan Update

Valerie LeBlanc provided an update on the strategic plan. New consumer research data was recently secured. This information will be incorporated with Scottsdale's data to get a better understanding of the destination compared to nine competitors. The nine comparables are those that compete against Scottsdale's strengths. The team identified eight major components to the Scottsdale experience. Of the nine competitor destinations, three of them compete in five sectors, and four compete in four sectors. No other destination competes in all the same elements that Scottsdale does.

Ms. LeBlanc said good planning depends on a strong foundation. The formal strategic plan will be developed in October by a group of ten people with a broad base of knowledge. Because of the diversity of the Scottsdale market, the overall strategy will be accompanied by tactics that focus on specific components.

9. WestWorld TNEC Event Marketing RFQ

Paul Katsenes reported that the RFQ should be finished this week, and it incorporates suggestions from the TDC. The RFQ's title is now the WestWorld New Event Sales and

Marketing RFQ. Its focus is on multi-night events that generate bed taxes. It has been an ongoing challenge to measure room nights. The RFQ asks the national community how they would like to be compensated. Depending on the responses received, staff could make a determination on whether it would be appropriate to use commission for room night generation. A pre-bid meeting is planned for September 13, and sealed bids are expected by October 4. The evaluation panel will include representatives from the major WestWorld events, the SCVB, and the TDC.

Vice Chairwoman Glenn clarified that the idea was to have vendors receive commission off the room nights they generate by booking multi-night events. Another idea is to use multiple vendors instead of only one, since different vendors specialize in different types of events. This would open up more possibilities. She raised the concern that by the time the vendors are in place, they would not be able to sell the facility until mid-2013. By then, it will be too late to modify the space for non-equestrian events.

Chairman Hoffmann said the TDC's main concern has been the amount of money committed to this one investment, without significant resources being put in place to ensure that the facility can succeed financially. He inquired about the 2012/2013 season bookings compared to what has been committed. Mr. Katsenes responded that commitments are pending from another 12 shows for 2013/2014, but no new shows are expected for the first year. He said he would provide a report to the TDC on existing shows and additional new shows for the next two years.

Commissioner Richard requested quarterly updates on TNEC performance versus projections. Chairman Hoffmann said the TDC wants to know how many room-night generating events are being booked at TNEC, and how much money they are going to be worth to Scottsdale. The City has invested \$40 million into the facility, and the community has to have assurances that it is earning serious money. It is nice to have many equestrian events there, but they do not pay back the investment unless they are generating bed tax dollars. Commissioner Surguine requested performance measures for WestWorld, similar to what the SCVB has. Mr. Katsenes agreed, and felt that the RFQ process would help identify important performance measurements.

10. Identification of Future Agenda Items

No new agenda items were requested.

11. Public Comment

There were no public comments.

12. Adjournment

The meeting adjourned at 9:53 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.